

Message Text

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ORIGIN STR-07

INFO OCT-01 ISO-00 STRE-00 COME-00 LAB-04 TRSE-00 EB-08
CIAE-00 INR-10 NSAE-00 PM-05 NSC-05 SP-02 SS-15
CEA-01 OMB-01 L-03 ITC-01 AID-05 AGRE-00 INT-05
EA-10 EUR-12 IO-13 /108 R

DRAFTED BY STR:RHEIMLICH:TI
APPROVED BY STR:AWWOLFF
COMMERCE:ARYDER
LABOR:DWANAMAKER
STATE:WTAGLIANI
TREASURY:EBARBER

-----011671 290308Z /14

P 282351Z JUL 78
FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY

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MTN DEL

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: SECTORAL OBJECTIVES AND THE U.S. TARIFF OFFER

1. MTN DEL'S EVALUATION OF THE LIKELIHOOD THAT KEY FOREIGN OBJECTIVES WILL BE ATTAINED IS REQUESTED TO ASSIST IN USG FORMULATING CURRENT ASSESSMENT OF SECTORAL BALANCE OF THE MTN AGREEMENT. THIS ASSESSMENT WILL PROVIDE A BASIS FOR CLEARER GUIDELINES FOR THE DELEGATION IN CONCLUDING THE TARIFF NEGOTIATIONS LATER THIS YEAR.

2. U.S. TARIFF OFFER WAS GENERALLY CONDITIONED ON RECIPROCAL LIMITED OFFICIAL USE
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ITY AND PROGRESS WITH RESPECT TO NTB'S, WITH SPECIFIC CONDITIONS NOTED FOR TEXTILES AND STEEL (NOTE: ADJUSTMENTS TO THE ORIGINAL OFFERS IN THESE TWO SECTORS WERE CONSIDERED AND APPROVED BY THE TPRG DEPUTIES IN GENEVA. THESE SECTORS WILL NEVERTHELESS BE PART OF CURRENT USG REVIEW. AS A RESULT OF FURTHER WORK WITH OUR ADVISERS IT IS APPARENT THAT DOMESTIC ACCEPTANCE OF THE ORIGINAL OFFER DEPENDS ON HOW SUCCESSFULLY KEY FOREIGN OBJECTIVES ARE ACHIEVED. THERE WILL BE STRONG DOMESTIC PRESSURE FOR ADJUSTMENTS IN US CURRENT TARIFF OFFER IN THE FOLLOWING AREAS UNLESS KEY FOREIGN OBJECTIVES

ARE ACHIEVED. WOULD APPRECIATE MTN DEL'S ASSESSMENT ON THE PROSPECTS OF OBTAINING THE FOLLOWING OBJECTIVES WHICH WILL DETERMINE OUR ABILITY TO MAINTAIN OUR TARIFF OFFERS (NOTE:

THESE OBJECTIVES DO NOT INCLUDE ALL OF THOSE OUTLINED IN THE ANNEXES TO TPSC PAPER 78-51, ONLY THOSE WHERE TARIFF ADJUSTMENTS ARE LIKELY TO BE NEEDED IF THE OBJECTIVE IS NOT MET. (UNDER SEVERAL OF THESE ITEMS, IT IS CLEAR THAT SOME KEY OBJECTIVES CANNOT BE ATTAINED. HOWEVER, THE OBJECTIVES ARE NEVERTHELESS LISTED BECAUSE THEIR NOT BEING ATTAINED WILL STILL BE USED IN THE GRADING PROCESS IN DOMESTIC ACCEPTABILITY OF THE MTN.)

SECTOR	KEY US OBJECTIVE RELATED TO MAINTAINING OFFER
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HIGHEST PRIORITY

MOTOR VEHICLES AND PARTS	- EC OFFERS DUTY ELIMINATION ON AUTOS AND PARTS (IF EC DOES, JAPAN WOULD ALSO HAVE TO BIND AT ZERO) - EC OFFERS FORMULA CUT ON HEAVY
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DUTY TRUCKS	
- EC SATISFACTORILY RESOLVES "CHICKEN WAR"	
- RESOLUTION OF JAPANESE AUTO CERTIFICATION PROBLEM	

INDUSTRIAL CHEMICALS/	- EC, CANADA, AND JAPAN MEET US
PLASTICS	REQUESTS ON PRIORITY CHEMICAL TARIFFS AND OFFER SUBSTANTIAL- LY EQUIVALENT POST-MTN TARIFFS OVERALL - EC LIBERALIZES RULES OF ORIGIN SUBSTANTIALLY ACROSS THE BOARD - CANADA ELIMINATES "MADE IN CANADA" PROVISIONS - EC, CANADA, AND JAPAN MATCH US TARIFFS OR MAKE MAJOR CUTS ON PLASTICS

NONFERROUS METALS	- CANADIAN MAINTENANCE OF ITS SECTOR PROPOSAL OFFER; COMMIT- MENT TO NOT RESTRICT NONFERROUS EXPORTS AT EITHER FEDERAL OR PROVINCIAL LEVEL - ADEQUATE DOMESTIC SUBSIDY PRO- VISIONS IN A SUBSIDIES CODE
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- JAPANESE IMPROVEMENTS ON TARIFFS OF PRIORITY INTEREST (E.G. ALUMINUM)
- EC MAINTENANCE OF ITS INITIAL

OFFER; COVERAGE OF COMMUNICATIONS/UTILITIES UNDER GOVERNMENT PROCUREMENT CODE

STEEL MILL PRODUCTS - EC AND JAPAN MATCH RATES WITH LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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US PRODUCT BY PRODUCT TO EXTENT FEASIBLE GIVEN ECONOMIC SENSITIVITIES.

- EC AND CANADA DON'T WITHDRAW IN RESPONSE TO US WITHDRAWALS
- JAPAN IMPROVES POST-MTN OFFER TO EC LEVEL (4.8 PCT.)

HEAVY ELECTRICAL EQUIPMENT - EC AND JAPAN COVER UTILITIES IN GOVERNMENT PROCUREMENT CODE

AEROSPACE - EC, CANADA, AND JAPAN MATCH US DUTY ELIMINATION OFFER AND AGREE TO DECLARATION ON NON-TARIFF ISSUES

TELECOMMUNICATIONS EQUIPMENT - EC AND JAPAN INCLUDE TELECOMMUNICATIONS ENTITIES AND PRODUCTS IN GOVERNMENT PROCUREMENT CODE

MACHINE TOOLS AND INDUSTRIAL MACHINERY - RESOLUTION OF CANADIAN MACHINERY PROGRAM PROBLEM

- JAPAN, EC, AND CANADA MAKE CUTS SIGNIFICANT TO APPROACH AVERAGE US POST-MTN TARIFF
- COVERAGE OF RELEVANT ENTITIES IN PROCUREMENT CODE

PAPER - MAINTENANCE OF ORIGINAL EC OFFER

- MAINTENANCE OF CANADIAN SECURITY

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TOR PROPOSAL OFFERS

COMPUTERS AND PARTS - EC MAINTENANCE OF FORMULA CUT
ON 8452A
- COVERAGE OF PRODUCTS AND ENTI-
TIES UNDER GOVERNMENT PROCURE-
MENT CODE (JAPAN, EC)

ELECTRONIC COMPONENTS - EC FORMULA CUT ON 8521DI AND
DII AND SUBSTANTIAL LIBERALI-
ZATION OF ORIGIN RULES

- JAPANESE ASSURANCE THAT VLSI
SUBSIDIES WILL NOT INJURE US
TRADE INTERESTS

WOOD PRODUCTS - CANADIAN HARMONIZATION OF PLY-
WOOD STANDARDS WITH US; MAIN-
TENANCE OF SECTOR PROPOSAL
OFFER

SECOND HIGHEST PRIORITY

CONSTRUCTION, MINING, - SUBSTANTIAL IMPROVEMENT IN
AGRICULTURAL MACHINERY CANADIAN AND EC OFFERS
- RESOLUTION OF CANADIAN MACH-
INERY PROGRAM PROBLEM

X-RAY APPARTUS - EC MATCH US OFFER (2)

RADIATION MEASURING DEVICES- EC MAINTAINS OFFER ON 90.28A
AT5 PCT.

WALLPAPER - CANADA IMPROVE OFFERS ON WALL
COVERINGS

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THIRD HIGHEST PRIORITY

OFFICE MACHINES - IMPROVED TARIFF OFFERS BY EC
AND CANADA ON PRIORITY US
ITEMS

AUTOMATIC TYPEWRITERS AND - SIGNIFICANT REDUCTION IN TAR-
PARTS IFF DISPARITY WITH EC AND
CANADA

DRUMS, FLASKS, VALVES, - CANADIAN OFFER OF AT LEAST 7
TAPS, CORKS ON 44603-1

SYNTHETIC RUBBER - CANADA MATCH US DUTY ELIMINA-

TIONS OFFER

ANTIBIOTICS - EC IMPROVEMENTS IN ANTIBIOTICS
TARIFF OFFERS

PAINTS - SIGNIFICANT CANADIAN IMPROVE-
MENT IN PAINT TARIFF OFFER

YACHTS AND BOATS - CANADIANS MATCH US OFFER ON
SAME PRODUCTS
- JAPANESE LIBERALIZE BOAT

SAFETY TEST

RAILWAY CARS - EC AND JAPAN COVER TRANSPORTA-
TION AGENCIES IN GOVERNMENT
PROCUREMENT CODE

MOTORCYCLES - EC OFFERS FORMULA CUT ON
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MOTORCYCLES

PENS AND JEWELRY - EC LIBERALIZES HALLMARKING
STANDARDS ON GOLD TRIM

LEATHER - JAPANESE LIBERALIZATION OF
LEATHER QR

3. IT IS ASSUMED THAT US OFFERS ON COLOR FILM AND COMPUTERS AND PARTS WILL BE ADJUSTED TO FORMULA CUTS PURSUANT TO THE UNDERSTANDING REACHED WITH JAPAN IN BONN. WITH RESPECT TO INCLUSION OF COMPUTERS AND PARTS ON THE ABOVE LIST, THERE WOULD BE THE FURTHER POSSIBILITY OF DEFERRING REDUCTIONS UNTIL THE EC AND JAPAN AGREE TO APPROPRIATE COVERAGE UNDER THE PROCUREMENT CODE JUDGMENT IN THIS CASE HAS TO BE MADE OF HOW BEST TO MAXIMIZE FOREIGN MARKET ACCESS, IN BOTH TARIFF AND NONTARIFF BARRIER AREAS.

4. WHERE U.S. OBJECTIVE (ESPECIALLY WHERE IT IS ALSO A STRONG PRIVATE SECTOR OBJECTIVE) UNLIKELY TO BE OBTAINED, WOULD APPRECIATE MTN DEL'S VIEWS ON THE EXTENT TO WHICH SECTORAL BALANCE WOULD OTHERWISE BE ACHIEVED THROUGH OTHER MTN BENEFITS, OR U.S. ADJUSTMENT OF OFFER. VANCE

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